

# KENTUCKY ECONOMIC INDICATORS

February Indicators as of May 4, 2004

## **KY Composite Index of Leading Indicators increased 1.6 percent for February.**

- X** The Leading Index has increased in nine of the last ten months.
- X** The Leading Index rose by 1.8 percent over the same month last year.
- X** Component indicators were mixed; 2 positive, 2 negative, 1 constant.
  - KY Labor Intensity Index decreased 0.8 percent.
  - o The Conference Board's US Leading Index remained steady at 115.0.
  - The Index of KY Initial Claims decreased 7.2 percent.
  - + US Retail Sales increased 12.2 percent.
  - + Louisville Help Wanted Index (HWI) increased by 5 points to 55.

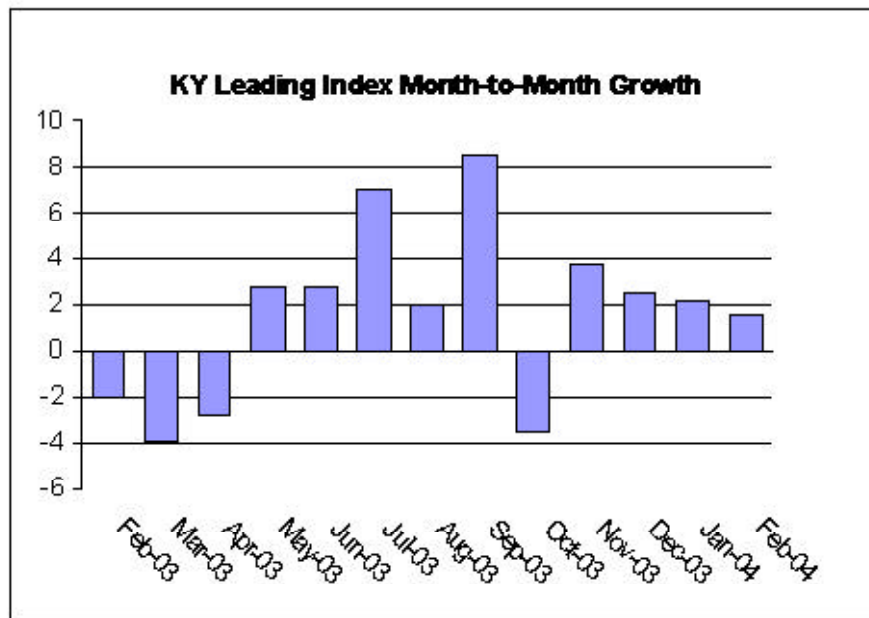
## **KY Composite Index of Coincident Indicators increased 2.2 percent for February.**

- X** The Coincident Index increased for ten consecutive months.
- X** Same-month-last-year growth was positive for the seventh consecutive month by 1.8 percent.
- X** Component indicators were mixed gainers over losers 2:1.
  - KY Total Nonagricultural Employment decreased 3.7 percent.
  - + US Personal Income Less Transfers increased 2.0 percent.
  - + US Industrial Production Index increased 10.2 percent.

The Kentucky Leading Index experienced low to moderate growth for February, the fourth consecutive month of positive growth. Overall, the growth is not robust and component indicators were quite varied ranging from +213.8 percent to -7.2 percent growth. Both US Retail Sales and the Louisville Help Wanted Index made moderate-to-strong gains for February. Together these two components make up approximately 12 percent of the Leading Index's total weight. The Kentucky Index of Initial Unemployment Insurance Claims and the Kentucky Labor Intensity Index fell for February. Together these two components make up approximately 64 percent of the Leading Index's total weight. The Conference Board's US Leading Index was unchanged from January.

US Retail Sales have done quite well, increasing by 8.5 percent since the same time last year. Despite numerous ups and downs in consumer confidence and employment patterns, general consumption patterns seem to be steadily improving. In contrast, since February 2003 there has been a net decrease of over 3,000 jobs in Kentucky Manufacturing Employment. In February Kentucky Manufacturing Employment fell back to 265,800 jobs, losing most of the gains from January. On the positive side, same-month-last-year growth improved for the second straight month for Kentucky Nonagricultural Employment after two years of downward movement.

US Consumer Sentiment was strongly negative for February following four consecutive strong positive months. The series has been pretty erratic over the past year, probably heavily influenced by the Iraq War and erratic energy prices. Overall, the Sentiment measure is still well above where it was a year ago.



### About the Indicators

#### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we

**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

| 2003    |         |         |         |         |         |         |          |         |         |         |         | 2004    |  |  |  |
|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|---------|--|--|--|
| FEB     | MAR     | APR     | MAY     | JUN     | JUL     | AUG     | SEP      | OCT     | NOV     | DEC     | JAN     | FEB     |  |  |  |
| 110.4   | 110.0   | 109.7   | 110.0   | 110.2   | 110.8   | 111.0   | 111.8    | 111.5   | 111.8   | 112.0   | 112.2   | 112.4   |  |  |  |
| -2.0    | -3.9    | -2.8    | 2.7     | 2.7     | 7.0     | 2.0     | 8.6      | -3.6    | 3.7     | 2.5     | 2.2     | 1.6     |  |  |  |
| -0.2    | -0.6    | -0.6    | -0.6    | -0.7    | -0.1    | 0.3     | 1.4      | 1.0     | 1.1     | 1.5     | 1.5     | 1.8     |  |  |  |
| 127.9   | 127.7   | 127.6   | 127.7   | 127.7   | 128.0   | 128.1   | 128.5    | 128.8   | 129.4   | 129.5   | 129.9   | 130.2   |  |  |  |
| 0.0     | -1.8    | -1.5    | 1.4     | 0.0     | 2.6     | 1.5     | 3.2      | 3.0     | 6.1     | 0.9     | 3.9     | 2.2     |  |  |  |
| 0.2     | 0.0     | -0.2    | -0.2    | -0.5    | -0.3    | 0.0     | 0.4      | 0.6     | 1.1     | 1.4     | 1.6     | 1.8     |  |  |  |
| 1,780.6 | 1,782.4 | 1,780.8 | 1,780.7 | 1,780.2 | 1,775.3 | 1,779.6 | 1,782.7  | 1,785.2 | 1,786.4 | 1,785.7 | 1,793.4 | 1,787.7 |  |  |  |
| -3.9    | 1.2     | -1.1    | -0.1    | -0.3    | -3.3    | 2.9     | 2.1      | 1.7     | 0.8     | -0.5    | 5.3     | -3.7    |  |  |  |
| -0.5    | -0.4    | -0.3    | -0.3    | -0.4    | -0.9    | -0.4    | -0.2     | -0.2    | -0.2    | -0.2    | 0.4     | 0.4     |  |  |  |
| 269.0   | 267.4   | 265.9   | 265.6   | 265.2   | 264.9   | 265.2   | 265.1    | 266.2   | 265.8   | 266.1   | 266.9   | 265.8   |  |  |  |
| -2.6    | -6.9    | -6.5    | -1.3    | -1.8    | -1.3    | 1.4     | -0.5     | 5.1     | -1.8    | 1.4     | 3.7     | -4.8    |  |  |  |
| -3.5    | -4.0    | -4.3    | -4.0    | -3.9    | -3.5    | -3.0    | -2.3     | -2.3    | -2.0    | -1.5    | -1.0    | -1.2    |  |  |  |
| 6.1     | 6.2     | 6.3     | 6.2     | 6.3     | 6.6     | 6.2     | 6.2      | 6.0     | 6.0     | 6.0     | 5.3     | 5.3     |  |  |  |
| 99.8    | 98.8    | 98.4    | 99.0    | 99.1    | 99.8    | 100.2   | 100.0    | 101.2   | 101.4   | 101.6   | 102.1   | 101.4   |  |  |  |
| -5.4    | -10.6   | -5.0    | 7.8     | 1.0     | 9.2     | 4.2     | -2.3     | 15.9    | 2.5     | 1.4     | 6.4     | -7.2    |  |  |  |
| -0.7    | -0.8    | -0.5    | -0.7    | -1.2    | -0.9    | -0.2    | 0.6      | 1.6     | 0.9     | 2.7     | 1.8     | 1.7     |  |  |  |
| 104.6   | 103.9   | 104.0   | 104.0   | 103.9   | 104.2   | 104.3   | 104.4    | 104.4   | 104.7   | 104.4   | 104.8   | 104.7   |  |  |  |
| -1.4    | -7.9    | 1.5     | -0.6    | -0.8    | 3.9     | 0.8     | 1.1      | -0.2    | 3.5     | -3.1    | 4.5     | -0.8    |  |  |  |
| -0.6    | -1.4    | -1.1    | -1.1    | -1.2    | -0.9    | -0.8    | -0.7     | -0.7    | -0.1    | -0.6    | 0.1     | 0.1     |  |  |  |
| 60.0    | 58.0    | 50.0    | 47.0    | 49.0    | 50.0    | 47.0    | 73.0     | 50.0    | 49.0    | 57.0    | 50.0    | 55.0    |  |  |  |
| 184.1   | -33.4   | -83.2   | -52.4   | 64.9    | 27.4    | -52.4   | 19,610.6 | -98.9   | -21.5   | 514.0   | -79.2   | 213.8   |  |  |  |
| 0.0     | -13.4   | -18.0   | -28.8   | -31.0   | -21.9   | -21.7   | 25.9     | -13.8   | -14.0   | 7.5     | -9.1    | -8.3    |  |  |  |
| 419.7   | 438.0   | 696.4   | 416.4   | 617.6   | 470.9   | 459.6   | 628.9    | 530.4   | 531.1   | 676.1   | 583.1   | 462.6   |  |  |  |
| -3.1    | 1.8     | -0.5    | -3.1    | 1.6     | 8.2     | -5.9    | -4.1     | -7.1    | 0.7     | 5.3     | -8.2    | 10.2    |  |  |  |
| 150.6   | 165.6   | 199.7   | 190.2   | 191.6   | 208.2   | 197.3   | 200.4    | 213.3   | 199.0   | 207.9   | 249.5   | 164.0   |  |  |  |
| -3.6    | -1.3    | 0.1     | 0.3     | 0.1     | 3.2     | -14.7   | -0.4     | -1.9    | 5.3     | 8.0     | 6.9     | 8.9     |  |  |  |
| 204.7   | 117.0   | 354.4   | 158.2   | 267.9   | 206.6   | 224.2   | 273.0    | 228.1   | 224.0   | 247.6   | 207.2   | 217.3   |  |  |  |
| -3.7    | -0.6    | -5.8    | 1.8     | -1.5    | 10.1    | 10.0    | -2.2     | -4.0    | 3.2     | 8.6     | -28.8   | 6.1     |  |  |  |

## 2004

2003